



# Proxy Voting Policy

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## Introduction

As an asset manager, China Asset Management Hong Kong Limited (“ChinaAMC (HK)”) has the responsibility to exercise proxy voting of securities held in the funds or mandates under the company’s management on behalf of our clients in the clients’ best interests. Types of asset accounts managed by the firm include mutual funds, exchange traded funds (ETF), and other investment management or advisory mandates.

ChinaAMC (HK) articulated this proxy voting policy (“PVP”) with an aim to provide sufficient guidance to portfolio managers and other related employees involved in proxy voting to ensure votes on listed companies are casted in the best interests of our clients and in alignment with our fiduciary duties and ESG policies.

The PVP is an instrument to address general principle of ChinaAMC (HK)’s proxy voting in the context of ESG. It is not meant to specify any special or extreme circumstances and does not serve as a procedure or workflow handbook. If any employee is in doubt of the subject matter or have any questions in relation to the PVP, the ESG Committee should be consulted.

For the purpose of the PVP, “clients” referred below include mandate clients and unitholders of a fund and “investment portfolios” referred below include investment portfolios of funds and investment portfolios of mandates.

## Purposes and Principles

ChinaAMC (HK) exercises proxy voting rights of securities invested by the investment portfolios under the company's management on behalf of the clients with constant considerations of sustainability, in particular, in the area of environment, society and governance.

Subject to the relevant and applicable regulations or contractual obligations, the voting rights of securities in all investment portfolios are exercised. For mandates, execution of voting rights shall be carried out in pursuant to the specified terms, if any, stated in the respective investment management agreement between ChinaAMC (HK) and a client.

The company seeks to vote in the best interests of our clients in a transparent manner for the securities held by the investment portfolios wherever possible, unless exercising these rights contradicts the interest of the beneficial owner of the assets or is prohibited by the relevant and applicable regulations.

Voting at annual general meetings, extraordinary shareholder meetings or other similar occasions is a primary and effective tool for engaging with companies to encourage sound governance and improve sustainability performance. Voting records are usually the most visible reflection of ESG stewardship and engagement as the results are public. We exercise voting rights on behalf of clients to promote ESG development worldwide.

Corporate issues can be complex and vary on a case-by-case basis. Hence, our proxy voting decisions are made in consideration of the following non-exhaustive list of criteria:

- Protection of shareholders' rights and interests;
- Enhancement of profitability stemming from operational activities;
- Value adding business restructuring or reorganization;
- Increase of intrinsic value;
- Improvement of corporate governance;
- Improvement of financial structure;
- Formal and transparent Board of Directors nomination and election process;
- Fair remuneration of the Board of Directors;
- Transparency and communication;
- Improved awareness of climate-related risks and the inclusion of climate-related risks in business development plans;
- Carbon emissions reduction, as well as increased use and investment in clean energy and renewable energy;
- Reduced pollution and waste discharge and efficient use of natural resources;

- Improvement of the safety, health and human rights of employees and supply chain employees; and
- Prevention of safety hazards and environmental pollution in the operational and investment processes and supply chains.

The factors influencing voting decisions depending on the voting matter, business nature of the target company and characteristics of the sector which the target company categorised to. There is no “one-to-fit-all” formular for decision making on the votes for all listed companies. Every vote will be casted based on the above principles with the ultimate goal to promote ESG development.

## **Role of ESG Committee**

The ESG Committee reviews this policy on a semi-annual basis to address evolving standards and practices and to ensure that ChinaAMC (HK) votes in the best interests of our clients, in compliance with regulatory requirements, and in line with best governance practices and ESG trends.

The ESG Committee also reviews the annual implementation report of proxy voting to monitor the policy implementation and voting results.

## Proxy Voting Process

### Third-party proxy voting advisor

ChinaAMC (HK) has appointed an internationally recognized third-party proxy voting advisor, Institutional Shareholder Services (“ISS”), to provide recommendations and support its voting proxies, while final decisions are subject to ChinaAMC (HK)’s proprietary assessment. As a proxy voting advisor, ISS provides voting recommendations based on the terms agreed with ChinaAMC (HK). ISS also provides a voting platform for votes to be casted.

ISS proxy voting guidelines are supplements to this policy. If there is any discrepancy or conflict with this policy, the PVP will prevail, unless otherwise specified. The ISS proxy voting guidelines can be located here: <https://www.issgovernance.com/file/policy/active/specialty/Sustainability-International-Voting-Guidelines.pdf>.

To ensure quality of services, ISS’s proxy voting guidelines and other related policies and procedures are assessed and implementation of such policies and procedures is monitored from time to time.

Annual assessment of the advisor’s capabilities in terms of personnel, technology, and internal controls will also be performed.

### Responsibilities of different internal parties

- Asset Team – it is formed to handle, manage, and resolve all the ESG related investment matters. It is composed of investment personnel from equity, fixed income, and ETF investment teams. The main responsibility of Asset Team in the space of proxy voting is to assess the voting recommendations provided by ISS to ensure the recommendations are in line with the best interests of clients and the PVP. Asset Team may refer the voting decision to CIO for override if the voting decision contradicts any of the principles in this policy. After voting, Asset Team verifies voting results announced by the listed company and report to the ESG Committee. Further, to ensure the proxy voting mechanism is effective, annual implementation report will be composed by the Asset Team and tabled to the ESG Committee for review and discussion in meeting. The report should be detailed with information on overridden voting decisions.
- ESG specialists – coordinate each proxy voting with the Asset Team and Operations Department to ensure the proxy voting is properly handled and casted.
- CIO - decides and overrides voting decisions when the voting decision is referred to CIO as it is viewed that potential contradiction any of the principles in the PVP.

- Operations Department - is responsible for exercising the votes in the designated procedure and at the designated time in accordance with listed companies' voting guidelines, and for delivering voting records to the Asset Team.
- ESG Committee - meets regularly to review proxy voting activities and ensure the procedures and results comply with relevant principles, with a particular focus on discretionary voting decisions made by portfolio managers and cases where votes are abstained. The ESG Committee will examine the rationale for such voting decisions and decide if conflicts of interests exist.



## General Guidelines for Proxy Voting

The following general guidelines apply to the most seen proposals in proxy statements to shareholders when voting on behalf of our clients, unless unusual circumstances arise. The guidelines are not meant to be exhaustive and cater all voting topics or situations.

### Board of Directors Election

ChinaAMC (HK) believes that a board should primarily be independent, have no significant interest ties to the management and the board members should be elected on an annual basis. Important board committees (e.g., audit, nomination and compensation committees) should also be entirely independent.

In general,

- ChinaAMC (HK) supports the nomination that leads to a majority independent board.
- ChinaAMC (HK) considers voting against nominees for key board committees when the majority of members are non-independent directors.
- ChinaAMC (HK) holds all directors accountable for the actions of board committees. For example, ChinaAMC (HK) will consider withholding support for nominees who have recently approved excessive compensation arrangements or proposed equity-based compensation plans that unduly dilute the interests of existing shareholders.
- ChinaAMC (HK) supports efforts to declassify existing boards and vote against proposals for classified boards.
- ChinaAMC (HK) votes against proposals advocating cumulative voting, confidential shareholder voting, and granting preemptive rights.

### Appointment of Independent Auditors

ChinaAMC (HK) believes that the relationship between a company and its auditor should be limited to the audit engagement, associated services and tax services, although non-audit services may be provided so long as they are in line with the requirements of the Sarbanes-Oxley Act and, if required, have been approved by an independent audit committee. ChinaAMC (HK) also takes into account the reputation of the auditor and any issues that may arise in the performance of audit services.

### Executive and Management Compensation

ChinaAMC (HK) believes that well-designed equity-based compensation plans that are approved by shareholders can effectively align the interests of shareholders with those of the listed company's management, employees, and directors. In contrast, we oppose compensation plans

that substantially dilute shareholders' interests in the company or have inherently objectionable structural features.

ChinaAMC (HK) generally votes against compensation plans that authorize excessive dilution.

- Both equity grants and option awards will be taken into consideration in deciding if dilution/compensation plans are excessive.

When assessing a compensation plan's impact on our investment, ChinaAMC (HK) also contemplates other factors such as specific industry practices, company and stock performance, and management credibility.

- ChinaAMC (HK) typically votes against compensation plans that have the following structural features:
  - Ability to re-price underwater options without shareholder approval.
  - Unrestricted ability to issue options with an exercise price below the stock's current market price.
  - Automatic share replenishment ("evergreen").
- ChinaAMC (HK) supports measures intended to increase long-term stock ownership by executives, including:
  - Requiring senior executives to hold a minimum amount of company stock (frequently expressed as a multiple of salary).
  - Granting restricted securities instead of options.
  - Implementing a phased vesting plan or a vesting plan that ties to the company's certain milestones or stock performance.
- ChinaAMC (HK) generally supports the use of employee stock purchase plans to increase company stock ownership by employees.
- In assessing a company's executive and management compensation plan, ChinaAMC (HK) weighs all components of the plan. For example, the grant of stock options to executives of a company in a particular year may appear excessive if the amount goes above 2% of the outstanding shares. However, such grants may be appropriate if the senior management of the company has accepted significantly reduced cash compensation for the year in lieu of receiving a greater number of options.

## Corporate Structure Matters/Anti-Takeover Defenses

ChinaAMC (HK) generally opposes anti-takeover and other proposals to limit the ability of shareholders to act on possible transactions. In general,

- ChinaAMC (HK) typically votes against proposals to adopt classified boards and vote in favor of proposals to declassify a board as a classified board structure prevents shareholders from electing a full slate of directors annually.

- ChinaAMC (HK) votes for proposals that bring shareholder rights plans (“poison pills”) before a shareholders’ vote.
- ChinaAMC (HK) typically votes for proposals to eliminate supermajority voting requirements and against those to implement such requirements.
- ChinaAMC (HK) generally votes against proposals to authorize the issuance of preferred stock as the voting, conversion, dividend and other rights are at the discretion of the board of directors when used as an anti-takeover tool. However, we may vote for the issuance of such “blank check” preferred stock given it is issued for legitimate financing needs.
- ChinaAMC (HK) votes for proposals that lower barriers to shareholder action (for example, limiting rights to call special meetings or act by written consent).
- ChinaAMC (HK) evaluates board-approved proposals regarding changes to a company’s capitalization on a case-by-case basis. However, we generally vote for proposals authorizing the issuance of additional common stock (except in the case of a merger, restructuring, or other significant corporate events, which will be handled case-by-case) provided that the issuance does not exceed one time (100%) of the number of currently outstanding shares.

### **Reincorporation/Offshore Presence**

ChinaAMC (HK) usually does not intervene in the reincorporation or reorganization plans of a company in a different jurisdiction, provided that management’s decision has been approved by the board. ChinaAMC (HK) recognizes the benefits of reincorporating a business (such as tax benefits and an advanced legal system in the chosen jurisdiction). Proposals to reincorporate in offshore tax havens will be reviewed case-by-case to determine whether such plans are in the best interests of the shareholders, including our clients.

### **Environmental/Social Policies**

ChinaAMC (HK) believes that “routine matters” are primarily the responsibility of management and should be approved solely by the company’s board of directors. We recognize that certain social and environmental issues raised in shareholders’ proposals are the subject of vigorous public debate and many are the subject of legal statutes or regulations. We generally support management on these types of proposals, though they may make exceptions in certain instances where they believe a proposal has substantial economic implications. We expect that the listed companies invested by the investment portfolio act as responsible corporate citizens.

- ChinaAMC (HK) votes for proposals to raise awareness and take responsibility for climate-related risks, including but not limited to calling for a reduction of GHG emissions, increasing use and investment in clean and renewable energy and improving energy efficiency.
- ChinaAMC (HK) votes for proposals calling for a reduction of pollutants and waste discharge.

- ChinaAMC (HK) votes for proposals to improve the safety, health and human rights of employees and supply chain employees.
- ChinaAMC (HK) votes for proposals to standardize the management of company operations, and to prevent potential safety hazards in the supply chain and environmental pollution.
- ChinaAMC (HK) votes for proposals that request a company to disclose its upcoming/approved climate transition plan and allow shareholders to approve or disapprove its GHG emissions reduction plan case-by-case. We will take into account factors such as the completeness and rigor of the company's climate-related disclosure, the company's actual GHG emissions performance, whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions, and whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive.

### **When ChinaAMC (HK) Abstains from Voting**

ChinaAMC (HK) seeks to vote on behalf of clients who have delegated the voting rights to us. We may decide on a case-by-case basis whether to vote if the costs to our clients associated with such proxy voting far outweigh the benefits. If "share blocking" is required in certain jurisdictions, we may abstain from voting. We generally abstain from voting on matters if the voting issue is not clear or inadequately disclosed, which may include "other (unspecified) business issues", nomination proposals with no details of the nominees, or proposed changes to the Articles of Association without proper disclosure of the details of such changes. Finally, we may be required to abstain from voting when a conflict of interest exists.

### **Indemnification**

In certain jurisdictions, listed companies may request shareholders to indemnify executive directors for actions they may have taken. ChinaAMC (HK) votes against such indemnifications as we believe that the directors have an obligation to act in the best interests of shareholders and take responsibility for their actions.

## Corporate Action Process

The designated portfolio manager(s) of each investment portfolio monitor(s) corporate actions of the listed securities invested by the respective investment portfolio by leveraging different resources of information. The portfolio managers mainly reference to public announcements and other disclosures from the public sources to identify the occurrence of corporate action.

The Operations Department receives notices from relevant custodians of investment portfolios and is responsible for coordinating with corresponding custodians and portfolio managers to respond to corporate actions. The Operations Department will act as the second-line of defense to remind and follow up with portfolio managers to ensure all actions are properly handled.

## General Guidelines for Corporate Actions

The following guidelines apply to the most seen corporate actions raised by listed companies to shareholders, unless unusual circumstances arise. The guidelines are not meant to be exhaustive and cater all corporate action topics or situations.

### Exchange traded fund (ETF)

- **Cash Dividends/Interest/Coupon**

Generally, cash dividends are preferred by default.

However, for the benefit of clients, portfolio managers may choose a scrip dividend (e.g., for arbitrage purposes) to take profits if the reinvestment price is lower than the market price and the payment date will not negatively affect the creation, redemption, portfolio rebalancing, and valuation of ETF shares.

Portfolio managers should be aware of the payment dates to avoid cash shortages.

- **Bonus/Stock Dividends**

Portfolio Managers should be aware of the adjusted holdings and prices in the portfolio as well as the payment dates to avoid short-selling.

- **Rights issues/Listed Options**

Decisions shall mainly follow index methodologies, in general:

- If the subscription price is lower than the market price, portfolio managers should subscribe to the rights issue.
- If the subscription price is higher than the market price, indexes generally choose to ignore this corporate action and keep its weighting unchanged. Alternatively, portfolio managers may purchase shares on the secondary market to lower the cost.
- If the rights/options are listed on an exchange, portfolio managers should consider the market prices and the terms of the rights/options and may choose to subscribe to the rights/options or sell the rights/options on the secondary market, whichever benefits the fund unitholders more.
- Portfolio managers should be aware of the adjusted holdings and prices in the portfolio as well as the payment dates to avoid short-selling.

- **Subscription Rights to Convertible Bonds**

Portfolio managers have to weigh up the potential profit and risk of subscribing to convertible bonds without jeopardizing the liquidity of the portfolio and committing a compliance breach.

- **Share Split/Reverse Split**

Portfolio managers should be aware of the adjusted holdings and prices in the portfolio.

- **Tender Offers/Privatizations**

Decisions shall mainly follow index methodologies. In general, portfolio managers do not accept such offers. If the company eventually gets delisted from an exchange, its shares will be eliminated from the index and portfolio managers should follow suit.

- **Mergers and Acquisitions**

Decisions shall mainly follow index methodologies but may vary on a case-by-case basis.

## Active Fund

- **Financial Statements/Dividends**

We generally vote for approval of financial statements, reports of the Board of Directors, reports of the Board of Supervisors, reports of the Board of Independent Directors, and other statutory reports, unless there are concerns about the accounts presented, audit procedures applied or if they are not in line with the best interests of shareholders.

In general, we support proposals relating to cash, interest and stock dividends unless the dividend payout ratio has been consistently below the industry average without adequate explanation; the dividend exceeds the company's retained earnings; or other circumstances that we believe will harm the interests of investors.

- **Capital Changes**

- For A-share listed companies, we review proposals to raise capital by increasing authorized common stock based on the size, purpose, issuance history (especially the frequency of submitting such proposals), etc., and make decisions on a case-by-case basis.
- For Hong Kong listed companies, we generally support proposals to increase authorized common stock in consideration of the General Issuance Mandate unless the company has had many proposed increases in the past or its financing and investment efficiency are both at low levels.
- We will vote against proposals that are not in line with our ESG policies.

- **Amendments to Articles of Association/Company Bylaws**

- We generally vote for proposals relating to general provisions with respect to the registered capital, company address, business scope, etc.
- We support proposals on amendments to articles of association/company bylaws requested by government regulations or laws.
- We vote against proposals that are not in line with long-term shareholders' interests and shareholders' value.

- **Related-Party Transactions**

- We do not encourage listed companies to keep increasing related-party transactions.

- We examine related-party transactions case-by-case by assessing whether the transaction is necessary and can facilitate the company's long-term development and stabilize its short-term business operation.
- **Tender Offers/Privatizations, Mergers and Acquisitions**  
We vote for such proposals if they are in line with long-term shareholders' interests and shareholders' value.



## **Miscellaneous**

All voting documents are retained in the order of voting date. The documents include but not limited a copy of the proxy statement, voting instructions from analysts/portfolio managers, and clients' written requests for proxy voting information. These records are retained for seven years in accordance with the record keeping requirements of applicable laws and regulations.

The PVP and the voting records of any investment portfolios are available free of charge upon written request.

This policy is subject to annual review and update. The update of such policy needs to be approved by the ESG Committee.